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Norton, Edward

The Bank Charter Act of 1844 truthfully...

London

1857

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THE

# BANK CHARTER ACT OF 1844

## TRUTHFULLY CONSIDERED

IN CONNEXION WITH

THE PERIODICAL SCARCITY AND DEARNESS OF MONEY,

FREE TRADE AND OUR NATIONAL RESOURCES,

THE CURRENCY, AND THE FAIR EMPLOYMENT OF

LABOUR.

BY EDWARD NORTON.

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"There is no contract public or private, no engagement national or individual, which is unaffected by it. The enterprises of commerce, the profits of trade, the arrangements to be made in all the domestic relations of society, the wages of labour, the transactions of the highest and the lowest, the payment of the national debt; the provision for the national expenditure on the one hand, and the command which coin of the smallest denomination has over the necessaries of life on the other, are all affected by it."—*Vide Speech of Sir Robert Peel on the Bank Charter Act of* 1844.

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Second Edition, Enlarged and Corrected.

LONDON:

WILLIAM SKEFFINGTON, 163, PICCADILLY.

1857.

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Price Two Shillings.

## PREFACE TO THE SECOND EDITION.

In consequence of the success which the First Edition of these pages has met with, and the many testimonies that have been given me by competent judges among scientific gentlemen, merchants, and men of business, of the practical working nature of the plan submitted, and the "business-like" treatment of the subject, I publish a Second Edition.

Owing to the shortness of time given, and my limited leisure, the First Edition was hastily compiled. It will be found on perusal that in this the subject is more minutely investigated, especially with reference to our foreign exchanges and the maintenance of the convertibility of "the Bank-note."

*October*, 1857.

# PREFACE.

HER Majesty having, in her speech from the throne,* directed the attention of Parliament to the consideration of the Bank Charter Act, now about to expire, which was proposed by the late Sir Robert Peel, and made law in the year 1844, I have written the following pages to endeavour to give a correct idea of the working of our monetary system.

The zealous partizans of either a purely metallic or a lavish paper currency, do not include me among their number; while I am quite sure that the Act of 1844 is not adapted to our extended empire, our free-trade system, our increasing commerce, and our multiplied transactions, I should yet strongly advocate the adherence to a metallic currency so far as it will go, and oppose the creation of a paper currency to any greater extent than is necessary to supply the deficiency of the former, in order to make up a total circulating medium, adequate to the prosecution of *legitimate trade*, and a *fair employment of the labour of the people*. Our present system notoriously does not do this; subjects all our labour, and its savings of floating and fixed capital, accumulated throughout the whole term of our national existence, to the casualty, *the accident* of the possession of a given quantity of bullion by the Bank, and invests the prosecution of our trade with unnecessary and *unjust* hazard.

Therefore it is my opinion, that the intellect, experience, and judgment of *man himself*, which are superior to either gold or paper, and as competent to adjust and control both as to

* The above was written previous to the dissolution of the late Parliament.



construct and regulate a steam-engine, should be called to do their proper work. The prejudice which has hitherto endowed gold with properties it does not possess, and which, in sober truth, belong to the honesty, industry, intelligence, and good conduct of Englishmen themselves, is exercising a sordid and debasing influence on our national character. Giving gold its due, a just and honest perseverance in duty to God and man, however imperfect, in connexion with saving and industrious habits, have created our wealth and national position, and really form the *only security in the last resort* that we can hold for the maintenance of the national welfare, and for the preservation, from depreciation and decay, of the £5,000,000,000 of national capital we have accumulated. A great nation like England, while true, honest, and industrious, *cannot die*, and would still live and labour on, if it came to that, though every mine of gold were to become exhausted. Then I would say *use it*, but do not *worship it*, for worship it we do if we put it in place of those noble gifts with which the Creator has endowed man himself, and, in particular, the gift of perceiving present wants and necessities, and the fitness of natural substances, governed by human labour and conduct, to supply them. It has been my endeavour, in what I have written, to show that the possession of the above-named £5,000,000,000 of national capital, with the addition of our labour and national position in the world, gives *ample security* for it; and to propose a plan for the construction of a Board of Finance, *in which all the great national interests are represented*, having *control over the Bank of England, which would sustain the same relation to it, that a private bank holds with any one of its customers, and itself being subject to the legislature*. It should be endowed with a sufficient discretion to govern our monetary system, to expand or contract the circulating medium to the requirements of our free-trade system, so as to keep the rate of interest of money not higher than five per cent. or lower than four per cent., and avoid those disastrous fluctuations which now, every few years, produce panic and distress among so many interests. So far as a judicious regulation of the currency will do it, this

would achieve *one great condition* of national order and prosperity; *the regular employment of our labour*,* for "*in all labour there is profit.*"

It has been my object to keep the subject clear from all useless abstractions and technicalities; to view it from a higher point of sight than is afforded by class interests or party spirit, and, so far as it is given me to do so, to place it most respectfully before the reader in the light of truth and justice.

* By "labour" and its results, I understand as included all intelligence, skill, and good conduct, as well as physical strength, from the labourer to the statesman; in fact, all value derived from the *work* of man as distinguished from the *interest of money*, floating or invested.

*London, April*, 1857.

# THE BANK CHARTER ACT OF 1844

AND

# THE CURRENCY.

Two thousand eight hundred and fifty years ago, the wise man wrote that comprehensive truth—"in all labour there is profit." This contains the principle that underlies all sound political economy in every country and in every age. Yet the history of the world forcibly exhibits an almost total disregard of its teaching, and makes us to contemplate, with pain and sorrow, the small estimation man, with all his pride and ambition, has had of his own noble qualities, and how his labour of body and of mind has been expended, not only upon pursuits which are unproductive, but upon those which are injurious—upon objects of strife and warfare. Throughout all the long ages which have passed away since, we find that the history of the world has, for the most part, been a history of pride, ignorance, delusive schemes of vain aggrandizement on the part of some against others of the human family, warfare and bloodshed attending upon it to an extent that causes all that is good within us to recoil from its contemplation.

Absorbed by these passions and objects, empires have risen and fallen; governments and dynasties have changed; and, in our western portion of the world, something like order and progress, and a settled state of society, have resulted from the influence of Christianity. But it was not till the time of Adam Smith that political economy was reduced to a science,

and that the sentence "in all labour there is profit" was seen to contain, in few words, a principle which, if acted upon in a sufficiently large and liberal spirit, would change the aspect of the world.

As the fall of the apple presented to the mind of Sir Isaac Newton the index to nature's great law of gravitation, so, to the clear, penetrating mind of Adam Smith, this truth, harmonising with his own native powers of accurate observation, and combined philosophical and practical deduction, according to the light given him, presented the key wherewith to unlock the door leading to the discovery of those facts of political economy which, according to the faith in which they are received, and judiciously applied, regulate the welfare and prosperity of states. Following the way thus open to him, he elucidated and made clear the subject up to the facts and requirements of his age, left his great work as the record of his labours and his legacy to his country, and achieved for himself the just reputation of being the apostle of modern political science. Thus he made a plain way for statesmen who have the enlightenment, the courage, and the perception to skilfully apply his principles in the spirit of their author and with judicious regard to practical working life in their respective ages and countries.

Since then above eighty years have elapsed, and Great Britain has marched onward with rapid strides in her internal development and her external influence and power. The first French revolution, which uprooted the institutions that had arisen upon the ruins of the Roman empire, presented its last brilliant phase in the extraordinary career of Napoleon, and, during a quarter of a century, involved us in a struggle for our very existence, out of the pale of his showy, but illusory despotism. To make this struggle we had to put forth great efforts, and make enormous sacrifices, and though these, under Providence, were successful, yet having, in fighting our own battles, to fight those of the whole European continent, who in all human probability would have otherwise become hopelessly enslaved, we incurred a debt that, in figures, looks almost fabulous; but this, by rousing our energies to meet its



demands, has given an impetus to our industry totally unforeseen, and caused us to develope a commerce that surpasses anything of the sort ever known in human history.

The physical energy, intellect, skill, and attachment to order of the British people were equal to the occasion, and not only met, but prospered under the immense exertions and sacrifices made in the cause of humanity. Our armies, led by the consummate genius of Wellington, were victorious; our flag, that waved in triumph over Nelson as he died in the arms of victory, was supreme on the ocean; our colonial empire received vast accessions; our Indian empire was consolidated and extended. The vast war expenditure had stimulated the productive energies of our people, and developed a state of internal prosperity. Thus the population of Great Britain, which, at the commencement of the present century, numbered 11,000,000, had, at the close of the war, increased to above 13,000,000; our exports and imports from, respectively, £22,000,000 and £25,000,000 (official value), to £33,000,000 each, and the revenue raised in the last year of the war amounted to £72,000,000. The only drawback upon this state of prosperity was that £600,000,000 had been added to the permanent debt, to pay the interest of which would effectually tax the future industry of our people, and create an item in our national expenditure heavier than the whole cost of our army, navy, and civil government put together.

It was found after the commencement of the war, that, in consequence of the demand for bullion necessary to make our foreign payments, it would be impossible to continue our cash payments at home, and that, if we meant to prosecute the war, we must make a more extensive use of a paper currency. On the 25th of February, 1797, only £1,250,000 of coin and bullion were left in the coffers of the Bank of England to meet all demands. Accordingly, the Bank Restriction Act was introduced into Parliament by Mr. Pitt, and became law, restraining the Bank from making payments in gold. £1 and £2 notes were brought into use, and made a legal tender, and so continued till after the close of the war. It is

also worthy of remark that England ceased to be an exporting country for corn in the year 1792, and, from that period, we may be said to have been, at times, importers of the staple of the food of the people. Some of those very short harvests also arose which, in the course of human affairs, derange calculations and occasion great distress. The price of wheat in the year 1800 was 110*s.* per quarter, in 1801 115*s.*, in 1810 103*s.*, in 1813 116*s.*

When we take these facts into consideration, it is plain that, unless an expansion of the currency had allowed a free action to our industry, the result we arrived at could not have been attained, and we must have resigned the mighty task we undertook as altogether impracticable; have remained isolated in our island home, and beheld the most showy and gigantic tyranny, which ever, in modern times, threatened mankind with subjugation, crowned with success (if, indeed, we could have preserved our own independence upon such conditions). Those are practical facts that stand out in bold relief from the page of human history, complete in the clear connexion of cause and effect.

The principle of exclusive dealing which Napoleon had embodied in his "continental system," though happily not successful as he had intended it to be, was still so far so as to cause British manufactured goods to be accumulated to a great extent at home, instead of being taken in exchange for those articles of food and goods required by our armies and navies during the war, which we, by reason of the exchanges being against us, had to pay for in gold. One of the first results, therefore, of the fall of that reckless and comprehensive despot was to relieve our warehouses of their crowded contents, and to cause the precious metals to return to this country. The war drain having ceased, Mr. Peel devised, and, in the year 1819, brought in a bill authorizing the gradual resumption of cash payments, and in 1821 the Bank again paid its notes in specie.

Since that period, the population has continuously increased, and the nation progressed in the accumulation of wealth, and



the improvement of her material resources and power. The discoveries and improvements which have taken place in every department of physical science and the mechanical arts, and their application to the commercial relations of the country, and the usages of social and domestic life, have made us more wealthy, more luxurious, but not less hard-working than was the last generation. And the diffusion of knowledge, and the increase of intellectual development, acting on the natural good sense and love of order of the community, have caused our political and social system to accommodate itself to those modifications and changes required by the onward movement of society, without any of those civil wars and violence which in other countries destroy or frighten away capital; make labour to languish in idleness; crush or wofully impair public credit, and brutalize the people. The application of steam power to ship-building, navigation, international communication, and all industrial pursuits; the carrying out our system of railroads (which itself constitutes an era in our national progress); the improvements in machinery, whereby works of stupendous magnitude are speedily executed; the enlargement of London, with the magnificence and extent of its dwellings, produce, indeed, overwhelming proofs of what human industry is capable of effecting, and all this more particularly is observable since the free-trade measures of Sir R. Peel have become the law of the land, and given their genius to the commerce of the people.

Yet, amidst all this unequalled material development, it is evident that the fair and free industry of the people is, at times, sadly interfered with by some disturbing cause which might be avoided, and that, at times, there does exist a great want of regular employment among artizans, mechanics, and labourers, which ought not to exist.

Employment is *more fluctuating* than it ought to be, and distress and poverty abundant to an unseemly extent in the midst of such great tokens of opulence and wealth. We seem to feel that the contrast ought not to be so great, and that, making all due allowance for the necessary and inevitable

fluctuations of human affairs, there is something existing that might be amended. In a well-ordered and well-conducted community, it should not be that, amidst all this exhibition superficially of luxury, splendid mansions, costly equipages, showy attire, and high-living among the higher and moneyed classes, there does exist among the people, at times, a very hard struggle to keep up necessary appearances, and live without getting into debt. We see the fruits of success grasped by a comparative few, and not fairly diffused among the many; excessive monopoly of money, and excessive competition are generating excessive selfishness; money is becoming more and more an idolised thing among some, and more and more an object of over-careful and over-anxious pursuit of the bulk of men, in order to pay their way. We see that pauperism does not diminish, that crime is on the increase, and that the pursuit of money-getting, from the desire to grow rich by the few, and from hard necessity by the many, leaves by far too little time for that cultivation of the proper dispositions of the heart and mind, which are essential to the permanent stability of public virtue and good order, and the preservation of our true and enduring national welfare. It was the opinion of the late Sir R. Peel that laws regulating money were the most vitally important of all secular laws affecting a social and political community. Now, without assigning any *undue* share to the currency laws in producing this state of things described, which may, and in some cases does doubtless, lie at the door of other causes, such as great variations in the sum of natural productions, wars and conflicts between countries, and buoyancy or depression of the commercial mind, yet those laws do at times create great confusion, and the currency ought to expand in seasons when now it is compelled to contract. We may safely say that, if it can be proved that *those laws* are unjust and oppressive in their operation; if by creating periodical scarcities of money they do cause a spasmodic action of our mercantile system, so that labour is not regularly employed or fairly remunerated as it might otherwise be; if it can be proved that they give to the fortunate possessors of ready money a formidable and undue



power over every other class of the community; if they sometimes stimulate over speculation and feverish excitement in the commercial world, as in the years 1844-5, and in others spread bankruptcy, idleness, pauperism, emigration, as in 1847; if by forcing emigration they diminish our power of self-preservation and national self-defence, and lose to the country the labour of her children, in violation of the law that "labour is wealth," then it is not too much to say that those laws ought to be modified to what justice and equity to all classes require.

It is not my object, in writing these pages, to take sides on the currency question; to advocate any rash issue of paper any more than to advocate any unreasonable adhesion to the law of 1844, which gives to a circumstance so uncertain, and liable to such great fluctuations, as the possession of any given quantity of gold and silver by the Bank of England, the arbitrary power it exercises. But impartiality itself cannot but perceive that, under a free-trade system (which requires a currency capable of a prudent and just expansive power as a law of its being), this law goes to capriciously contract the circulation; to make money dear; to shake confidence; to impair the public credit, which is the hinge of commercial enterprise, and to maintain its obstinate and unyielding supremacy till the existence of wide-spread panic threatens society with disturbance. My belief is, that the smallest practical modification of the existing law that would place the currency of this country upon its true basis, viz., the national wealth and resources, instead of a certain given quantity of gold, *which forms only a small portion of that wealth*, under responsible and efficient governmental direction, is the measure which ought to be adopted.

Such governmental control would effect some change in the relative positions of the country and the Bank of England toward each other. It is a recognised principle in our age, that to hold a governmental position, either legislative or administrative, and at the same time to trade with the particular department we officially serve with a view to private profit and advantage, are two positions incompatible with each other.

But at present the Bank of England presents us with the anomaly of a trading corporation, comprised of a small, though wealthy section of the commercial part of the community, wielding the administrative power of the most important Act of Parliament on the Statute Book with regard to secular objects. The late Sir R. Peel, when introducing the Bank Charter Act of 1844, said with reference to its vital importance—"There is no contract public or private, no engagement national or individual, which is unaffected by it. The enterprises of commerce, the profits of trade, the arrangements to be made in all the domestic relations of society, the wages of labour, the transactions of the highest and the lowest; the payment of the national debt; the provision for the national expenditure on the one hand, and the command which coin of the smallest denomination has over the necessaries of life on the other, are all affected by it."

Yet the administration of such an Act is possessed by a company of bankers who are dealers in money. Without the slightest disrespect to that most distinguished and influential company, who, we have no doubt, have served their country with fidelity, this state of things may be amended. As human nature is seen in this age, man in his best estate is selfish, and Bank Directors are but men. Duty should if possible run parallel with self-interest. Bankers and dealers in money of all kinds grow rich when rate of interest is high. Moreover, the prodigious growth of our commerce and national development, renders it impossible for a body selected from so small a section of the community adequately to manage aright our monetary system. A great nation like ours, which depends on a prosperous commerce to maintain her position in the family of nations, requires her monetary system to be placed under the control of a Board, in which *all* the great interests of the country, national and commercial, to whose welfare the maintenance of public credit and regular prices of the markets (so far as laws of society affect them) are more especially necessary, are represented, and where the practical statesman who acts for the welfare of the nation as a whole,



can see that it is fairly dealt with, more particularly the mass who live by labour as distinguished from interest of money.

No contractor for any public building would be allowed to hold a situation as one of the Commissioners of Her Majesty's Board of Works. In like manner the Bank of England as a trading corporate body should not possess the administration of our monetary system. We propose, therefore, that the Bank of England be relieved from that duty, so onerous and important, and be placed in the same relation to a proper Board of Finance, which a private banker sustains to any one of his customers.

The Board of Finance should be of the highest and most general construction; representing the country faithfully. At this board the banking interest generally, and the Bank of England in particular, should have an expression fully commensurate with the important position they hold in the community.

Neither would I join in any party cries, whereby small-hearted and narrow-minded men speak slightingly of those illustrious statesmen who have worked the helm and guided the vessel of the state in past days of difficulty; who would praise the boldness of Pitt, and disparage the cautiousness of Peel; or who would magnify the latter, and inveigh against the former, as the reckless creator of our debt and financial burdens. More especially would I differ from those who would assail the character of that great benefactor to his country, the late Sir Robert Peel, as a man who, in his attachment to a metallic currency, cared nothing for the employment of the people, but only sought to enrich himself and his friends.

Both these statesmen were men of their age and times; though not immaculate, yet men of self-sacrificing spirit; men who sought the good of their country, the one to match, with his own impetuous energy, the fury of revolutionary France, the other to exercise and put in force principles of commercial caution and legitimate trading, and to gradually lead back the country from the speculative and exciteable temper engendered by a long war.

For Sir Robert Peel, in addition, was reserved the great work of carrying the free-trade law through the legislature. He surrendered party, friends, political power, for this, and devoted his abilities and his position to achieve the change rendered necessary, when the population of the country required more food than its acres would produce. In the face of opposition, and vested interests so powerful as to threaten to divide the community in civil strife, he did this, without any chance of his merits being fairly appreciated till long after the time when he should be gathered to his fathers, and men of a succeeding generation judge calmly of the workers in a struggle in which they themselves had borne no part.

Then, while we study the actions and examples of great men gone from among us, let us not bring them forward to decide on present facts. Providence gives to each generation of men its own work to do, and living men to do it. Let us do our duty in our day, as they have done theirs, taking up the subject where they have left it, with a no less single-minded love of truth than distinguished them, and as correct an appreciation of the events that surround the present time.

Sir Robert Peel may be said to have impressed his financial policy upon the history of this country from the close of the war with Napoleon and the passing of the Act of 1819, authorizing the resumption of cash payments, till his decease, in the year 1850, and it will not be thought contradictory that I should say that his measure of 1844 is now inadequate to the wants of our country; yet, at the same time, express my admiration of him as a great statesman. Although not free from some mistakes (and what man is?), the proofs of his teachable spirit, his capacity to rise above the level of party, when the view obtained from that level did not harmonize with that obtained from the higher elevation of the national good, are too prominent in his career to allow us to think that he would give any bigoted support to a measure which the lapse of thirteen eventful years, and the completion of the two great facts of our railway system, and the establishment of free-trade,



and a great change in the peaceful aspect of the world, have shown to fall short of the wants of the age.

It is, therefore, most probable that were Sir Robert Peel now amongst us, as our leader, with his willingness to learn from experience, as evidenced by two of the great actions of his life, he would support a measure that would allow the currency to expand and contract with the requirements of trade. It is on record that when the Bank Charter Act was practically placed in abeyance, during the panic caused by the re-action of the railway mania and the scarcity of the harvest of 1846, he freely admitted that the measure of 1844 had failed to meet the exigencies of the time. We may, therefore, fairly infer now that he would have joined in carrying out such a measure as would give the medium of exchange an *elasticity*, fitted to a commerce liable to be so seriously affected and rendered fluctuating by the commercial temper of the time; by the state of the foreign exchanges; by the state of the weather; by scarcity or abundance; by peace or war.

Previous to the year 1844, the law did not restrict the issue of notes by the Bank of England to the sum of the amount of bullion in its coffers; but because of the liability of its bullion to become nearly exhausted from the operation of the Mint laws and other causes causing specie to go out from the country before any contraction took place of paper issue, the Bank was exposed to inconveniences by being suddenly run upon or drained of specie by fluctuations in prices and over-speculation, and it was the object of the Act of 1844 to remedy this tendency, by obliging the Bank to proportion its issue of notes to the possession of a certain amount of bullion. Under all circumstances we concede the experiment to have been *a fair one at the time, but submit that it has failed.*

It cannot be expected that a great and growing community, animated by a spirit of independence, and possessing a combination of physical power and mental energy unknown to any other people, should be free from fluctuations of enterprise. To expect this, would be to expect more than human nature would realise, even with all the advantages of our venerable,

time-honoured, and firmly-established institutions, and our love of order, and obedience to authority as a people. But the aspect of public affairs, and the understanding of our constitution by the people, our improvement in education, and the absence of any necessity for great changes of any sort, give greater securities for the maintenance of internal order, and obedience to the law, upon which public credit greatly depends, than has at any previous time existed. We are differently situated in this respect, from what we were in the years 1819, 1833, and 1844. The collapse which necessarily took place in our affairs after the close of such a war as that which terminated with the Duke of Wellington's great victory, caused great distress, which unprincipled demagogues did not fail to make the most of for their own bad purposes. And no sooner was this concluded, than commenced that state of transition to those popular extensions, of the rights of our expansive civil constitution, which, though now facts twenty years old, kept our country in a far too exciteable state to allow any practical statesman to raise fresh subjects of discussion, or venture upon any modification of our monetary system, which, above all other subjects, would require the pre-existing conditions of commercial knowledge, public order, and sober-mindedness, on the part of the community. When, therefore, we consider this and our position after the peace of 1815, the panic of 1825, concurrently with the spirit of extraordinary speculation, combined with other causes, which produced it, the agricultural distress of 1829 and 1830, the panic of 1839, when the Bank of England was obliged to borrow £10,000,000 from that of France, the strikes among operatives and the failures among tradesmen, the fierce party political animosity and struggles in England, and the rebellious state of Ireland for twenty years till the death of O'Connell, together with the spirit of desire for political and social changes, that continued throughout the whole of this period, till free trade gave cheap bread to the people, it is not surprising that Sir R. Peel should propose a measure like that of 1844, as suited to the circumstances of the time. The statistical returns show a satisfactory progress of the country up to 1844 :—



| | | |
|---|---|---|
| Population of Great Britain | ... | 18,814,000 |
| Imports, official value | ... | £70,093,353 |
| Exports, home produce, do. | ... | 117,877,278 |
| Revenue ... ... | ... | 57,137,991 |

Taking all these difficult facts into consideration, we must allow that the Act of 1844 was a fair one at the time, but that *we have outgrown it since.* It would be an evil day for this country, if a powerful minister were to cease to act upon the principle of keeping the spirit of speculation within just and legitimate bounds. The tendency of human nature is to run to extremes, in pursuit of the gratification of its desires, more particularly when in ignorance of the line which divides moderation and improvement from excess and injury. Therefore, a wise statesman would conduct our affairs with conservative caution, and hold a rein upon that desire of speedily getting rich, which is so likely to result in disaster, either by mercantile loss, or what is worse, by loss of principle and moral rectitude.

The question arises, Have any circumstances occurred since the passing of the Bank Charter Act in 1844, that is now about to expire, which makes it inexpedient to continue our monetary system on the basis there laid down?

We answer, yes. That there are two great events which have occurred since that Act, either one of which has worked, is now working, and will continue to work social changes and improvements, quite large enough to render that measure too confined in its provisions, and that we have so important and numerous interests, that it is desirable that the currency should be managed by a board of superior construction and responsibility to that of the directors of the Bank of England, who should have power, subject to the veto of the legislature, to expand or contract the issue of notes, as necessity and sound principles of trading may require.

The first great event which I have noticed, is the carrying out our railways, and system of internal communication. This commenced in 1825 with the Liverpool and Manchester line; the advantages accruing, occasioned the construction of the London and Birmingham Railroad in 1832, which proved successful beyond the most sanguine anticipation. This effectually engaged the public attention, and absorbed its efforts in the construction of railways, till, in the years 1844, 1845, and 1846, the passion arrived at a most extraordinary climax. Nothing like it had been seen in this country since the failure of the South Sea scheme. Companies were formed, lawyers and engineers went to work, the land through its length and breadth was surveyed by day and by night, by sunlight and moonlight, or, failing that, by any light which could be procured. The demand for labour was so great, that almost all other trades were inconvenienced. Young men forsook their ordinary occupations, to rush into one that held out the remuneration of pounds, instead of previously earned shillings; clerks, shopmen, assistants of various sorts, forsook the desk and the counter, and, improvised into surveyors, traversed the country with stakes, levels, and link chains; farm labourers were transformed into navigators; Acts of Parliament were readily procured, authorizing the construction of works it were impossible to do in the time, without draining every other branch of industry, both of the labour and capital necessary to its successful prosecution; the best part of the community seemed to have taken leave of sober sense, were half mad after scrip and George Hudson, and appeared to proceed as though the trade in railways were exempted from the operation of ordinary trading laws.

The result was, a state of panic and confusion, such as no other people in the world could have worked out of, as we did. But the operation of the Bank Charter Act had to be practically suspended; suspensions were obliged to be granted to railway schemes, and the sacrifice of property to the pressure of necessity was immense. The holders of ready money bought of the poor victims of ignorance and blind speculation



(sanctioned, be it borne in mind, by the legislature) their shares at a depreciated value, or, in other words, at their own price. Thousands of honest people were crippled or ruined, and an exhibition of distress made such as this generation had not witnessed.

The railroads remain—the country is enriched; but the mass of those who first engaged to find the means, were unable to stand the ordeal, and others reap the fruits they ought to have done. Men of facts and hard logic say it serves them right, they should have known better, and to some extent they are correct; but in this instance, when we find that the legislature itself was at fault, and were found leading in the pursuit of error, instead of teaching the governed to avoid it, it were but just that some effort were made in behalf of equity. If an authority such as I have described had possessed the instrument of an expansive currency, some assistance might have been given to those who could not be to blame beyond their superiors, and the fixed capital invested in railroads, instead of being lost to the owners for a small part of its cost, and thrown into a few hands, would have been preserved to many more of them, and have been diffused more generally throughout the community.

This, however, was temporary in its evil results, and only productive of individual suffering, its advantage to the country is permanent and general. The practical lesson it holds forth to those in power, to test all schemes by some practical rule of commercial right doing, is forcible. The railway system was carried out in excess of all sound principles of commercial speculation; the indefatigable energies of the people struggled through it somehow; but when it was found that governors, as well as governed, had erred, equity would have been better observed, if the remedy of an expansion of the currency natural to the community had been resorted to.

The next great event, the establishment of free trade, is more important still, because of its universal and permanent effects. It is one of those great changes which makes an era in the history of mankind; and carries with it, not only great

exertions, and at first sacrifices, but has great prospective results, which, indeed, are incalculable. It is not requisite to enlarge on this, because it is so well understood, that it would be waste to do so. By it the commercial element is rendered predominant in this country, for good, or for ill; as it may be brought under control or not of those high principles of religion, honour, and public virtue, necessary to the just and healthy development of every human system. It contains within itself the germ of a power over men, that no human system has yet possessed, because it rewards its followers, as none other can do, with all that can delight the taste, or gratify the sense. It gathers and places before you the luxuries and choice productions of every country and clime—all that can minister to comfort and material enjoyment. Monarchy, aristocracy, democracy (as principles of government), promise to be subsidiary to it; and we cannot form any correct idea of the part it will ultimately take in the development of human progress, or of the extent to which we may be enriched by it. But its tendency will be to generate corruption, unless held in check by the higher influences I have named; and it behoves those who govern, to show, by example, that honour and virtue are to be preferred to wealth; and that, unless it be subject to truth and justice, it may prove an evil instead of a benefit.

There are also in addition to these two great stirring events, the general aspect presented by the world at large, our present position and relations to other great countries, and our peculiar relations with our own dependencies.

The growth of America and its commerce, and its room for far greater expansion; the attitudes and rivalries of the great continental monarchies; the nature of our hold upon our Asiatic empire, taken in connexion with our own comparatively *small population with reference to the demands made upon it*, call for serious wisdom and decision on our parts, to resolutely set a bound to our ambition and thirst of conquest, and cast off all that would prevent us from so governing and improving the vast foreign possessions we now possess, as to



retain them. We must develop their natural wealth and resources, and be enabled to succour and defend them when attacked, so that they do not fall a prey to those who would cause civilisation to fall backward. Our own physical and moral power must be the natural bound of our influence on the world for good, and that lies in our numerical population educated in truth and industry, not in any amount of gold we possess. Our power will increase or decrease according to our national thew, sinew, and virtuous intelligence; and because it is commerce which enables us to increase and maintain our population, and because a successful commerce must have a sufficient and elastic circulating medium, which can alone be ensured by human discretion and control, it is of vital importance that we should bring a free spirit to the investigation of the relations existing in our state of English society, between labour, commerce, and money, and not allow our free action in the world to be hampered by unfounded ideas, and narrow prejudices.

A currency, subject to such restrictions and sudden contractions as ours, cannot be adequate to conduct the operations of a trading system, which has thrown off all shackles of exclusiveness, and proclaims to the world its perfect freedom. It is based upon some fancied and mysterious power which gold is *supposed* to possess, of regulating and fixing the price of all other commodities, although it does not exist in sufficient quantity to supply the wants of a rapidly increasing population, and a still more rapidly growing commerce. Therefore, the law of 1844 is insufficent to the prosecution of free trade, with the position of things admitted on all hands, that *our own land is no longer capable, under any circumstances, of supplying adequate food to the people.* Thus it becomes a subject of important inquiry, whether gold does really possess the power attributed to it; and whether it is fair that industry should at times capriciously be condemned to be unemployed; trade to stagnation; tradesmen to bankruptcy; stock, and fixed capital of all kinds, to depreciation; because the Bank of England has not a given amount of bullion in its coffers.

Now, it will not be denied, that gold really *does not* exist in sufficient quantity, available for a monetary system, plentiful enough to protect us from the fluctuations complained of; and, therefore, *cannot perform the functions, which is the condition of support it ought to have, to entitle it to the place its advocates claim for it.* The discoveries, in late years, it is true, have been large, or the Act of 1844 must have failed during the Russian war; but, owing to the continual improvements among men everywhere, increased trade, increased taste for elegance, luxuries, ornament, increasing populations, and multiplied commercial transactions, it has not exercised any material influence on the supply of cash, and has thus been *absorbed.* Neither is there any reasonable prospect of any other state of things existing. The increase of the human species, the rapidity with which nations, hitherto barbarous or unknown, are being brought within the pale of international intercourse, and subjected to the stimulating influences of our energetic civilisation; the projected railways and improvements in the world of all sorts; the increase of wealth and education which economised labour and peaceful commerce must create; and the consequent increased calls for articles of taste, ornament, and luxury; are likely to create a demand, to which the supply of all the American and Australian mines is inadequate; and, therefore, we cannot reasonably expect that our currency will derive any permanent advantage from those stores of the precious metals.

It is not my purpose to come forward with exaggerated notions on the advantages of paper, or to make this a question, as it has too often been made, of gold *v.* paper, or paper *v.* gold. There is a higher point of sight than that. Gold is gold, and paper is paper; the one has in itself one of the highest material exchangeable values, the other has none. If, therefore, there were gold enough in existence to do what we want, there could not be a doubt that the medium *with the value is better* than *that without it;* and one would say gold by all means. But we have shown that gold *does not* exist in the above position; and we turn to paper. It is worth very little: well,



but if you have the power to base it upon that which *has* sufficient stability to inspire public confidence and credit, you can *discreetly* make use of it. That is the true fact of a paper circulation, and bank notes have always circulated in part on this principle. Whenever we have a bank note, we hold in effect a pledge from the legislature that we can take it into any British market, and exchange it for any merchandise we require; or, to put it more forcibly still, *The whole British people, through the legislature, gives that pledge.* I will not say this *legally*, because I am no *lawyer*, but that is the *understanding of the common sense* upon the subject. *That inspires public credit, as applied to bank notes;* and this feeling of safety must *underlie the obligation to pay on demand*, or else *no Bank Restriction Act could have been ever carried out* during the French war. In stating this, let me express my adhesion to the rule of making bank notes *payable in specie on demand;* it is not because I do justice to the great basis of public credit that I would undertake the importance of making notes payable on demand: *public credit requires all the supports that can be given to it, every good citizen owes it allegiance and due service, and the obligation to pay on demand is a very powerful support.* A very powerful support, and one which could never have been withdrawn by England during the great French war, unless she could have given moral and physical guarantees of present active energy, and continuance in well doing, added to the material wealth and value, the accumulation of the products of these qualities through the fluctuating circumstances, and during the lapse of ages.

But gold cannot claim function superior to man himself. It is said by Locke, "Man by being master of himself, and proprietor of his own person, and the actions or labour of it, has in himself the great foundation of all property." Public truth, honesty, and fidelity to engagements; public practical industry, intelligence, thrift, and obedience to the law; public patriotism, oneness of feeling and interest, and spirit of self-denial for the general good: these are the qualities which, when actively at work on the broad basis of the real exchangeable wealth and

value that our ancestors have accumulated and bequeathed to us; create a continually growing public confidence and credit, and present a security amply sufficient, under any conceivable circumstances, to allow us to issue the required amount of paper money necessary to make up the deficiency of gold, so as to fairly employ our labour, and maintain the equitable remuneration of our fixed property.

Such a right we can exercise to a greater extent than any other country; it is the compensation we have for our love of order and duty, our thrift, industry, and skill, and our sacrifices on behalf of human nature. And in circumstances of the last necessity, as when we had to maintain the most costly struggle for the preservation of our national existence, against the grasping ambition of the great military genius of Napoleon, it permits us to even suspend cash payments for a time; the last resort of a rich nation under a wise and understanding ruling power in cases of extreme necessity and crisis, when all other means are inadequate, to be withdrawn immediately such crisis has passed away.

But although we pay in specie on demand, seeing that its supply is very insufficient to our legitimate wants, it is plain that if we act up to our privileges, we may do much to equalise and decrease that demand by our own judicious regulations, and mutual good understanding among ourselves in society. A properly constituted governing body, really understanding the principles of monetary science, and their application to working life in our country, endowed with discretionary power, could greatly lessen the probability of sudden demands for specie, and consequent panic and monetary crisis resulting, and yet transact business with less specie than we now do. Also on the other hand, it would have a greater and more uniform command of specie than we have now, and a mighty improvement, the effect of which we cannot estimate, would result on the present system; arising from our diminished necessity for specie on the one hand, and our increased command of it on the other. Therefore, the natural conclusion to which these observations lead is, that it is wise to adhere to a metallic



currency as far as practicable, to employ gold as far as you can, and only to employ notes payable on demand to the extent required to meet the deficiency of gold. It will be seen that I have endeavoured to deal justly by both gold and paper, and have no crotchets in favour of either. But, at the same time, I do believe that *man well conducted* has right of command over either, in proportion to his gifts of property, industry, intelligence, and order; that a nation of such substantial, virtuous, order-loving citizens is more precious than gold, and should not be held in bondage to it; and that if the British nation has so progressed, and our transactions are becoming so extensive, that gold does not exist in sufficient abundance to supply the demand, there can be no reason why paper should not be issued to meet the deficiency, *under proper authority, provided our security be ample.*

It has been my object so to express myself as to guard myself from the supposition of being an advocate of over-production, or over-trading and rash speculation in any way, or to promote paper issue for any such purpose. Those monetary and commercial regulations which (so far as human industry is regulated by them) favour that state of commerce in which *every able-bodied man* can obtain *regular employment of ten hours per day on the average*, are those which are best for our country. The nearer we can arrive at this result, the more will our country realise the fable of the "bundle of sticks;" for it may be depended on that we are now arrived at that position as a nation, in order, in intelligence, in the stake in the country which is so universally felt and possessed, that if we can produce such a state of things as that, or any state near it, we have the highest "material guarantees" for public order, and, under Providence, for our secure national stability.

This brings us to the consideration of the Bank Charter Act of 1844, together with the Mint laws of 1816, of which that Act is complementary. The one Act, under an erroneous idea that the fluctuations of gold in price during the height of Bonaparte's power, would be perpetuated in time of peace, fixes

the price of gold in our coin to £3 17*s.* 10½*d.* per ounce, in order to prevent these fluctuations; and it is an offence against the law for any one to buy or sell coined gold or money at any other sum than that so fixed. The Bank Charter Act of 1844 compels the Bank of England to keep a sufficient stock of bullion and coin on hand equal to the amount of notes issued, except £14,000,000 issued on the credit of securities held by the government. The late Sir Robert Peel laid down, as the basis of these measures, that money must of necessity possess intrinsic value. We must investigate this before we proceed further. We have shown that, however undesirable, there exists scarcity of gold and silver. Therefore the theory is impracticable. Any attempt to put it into absolute practice in this country would condemn our labour to stagnation, our people to want, and would bring commerce to a stand. Such a theory must fail, unless the production of gold were to keep pace with the increase of populations, and the growth of commerce, which it does not. Now, in amending these laws, we lay down as the basis of our plan, not that "money must of necessity possess intrinsic value," but *that the labour of the people must of necessity be fairly employed*—we repeat, "*fairly employed;*" and we look upon money as the instrument of effecting this object, in a large civilised community like ours, when under enlightened management and judicious control. The Bank Charter Act itself proves, that the theory of its projectors cannot be carried out, for it actually makes use of public credit itself for the issue of £14,000,000 of Bank paper, and thus falsifies that theory. The promise to pay on demand could not be carried out, if the whole of our paper circulation were presented for payment. It therefore acknowledges our starting point, that there is such a thing as real national wealth apart from gold; and, in addition, public credit in our country, which together may be used as a basis for paper issue. To illustrate this, what would be thought of a man who should say, I really shall not trust the English government with £100 of my money or goods, for I do not believe they will be able to collect the taxes next year? You would say, He is beside himself. It is a splendid



fact, that although we have no million of soldiers like Russia, or France, or Austria, yet our rulers can make as sure of having the £60,000,000 or £80,000,000 of money necessary to defray the next year's interest of the debt, and expenses of government, as though it were already in the Exchequer, and could, if required, raise money on the prospect without difficulty. Why is this? The answer is in one word—*confidence.*

This social confidence it is, that planted in the immortal soil of truth, *begins to strike root with the first efforts of man to substitute order and civilisation for barbarism;* it grows as he proceeds and improves, and if duly cultivated and prized, will yield its fruit, and give its protection to any nation that will dwell beneath it in sound education, peace, and fidelity.

What is the security of the fund-holder? How does he know that the next half-year's dividend will be paid? Certainly not gold! It is "confidence." A nobleman buys a large estate for £100,000, or a humbler man lays out his small savings of a life of labour in purchase of a house for £500 or £1,000: what security have they that their money is not sunk, and that they will receive and bequeath to those near and dear to them, an annual return in the shape of rent? Confidence! What is the security that the shareholders of all our large national material undertakings have, that they will receive their interests? *Confidence! confidence that society is a progressive fact, and that its onward movement is continually adding to its own fixed property, and enhancing the value of that already saved by labour and thrift.* Confidence that *our living labour and intelligence* working *that capital,* upon well understood principles of *truth, honesty, fidelity to engagements, and commercial law,* is ever on the increase. It is this confidence in our national resources, and the stability of them, that is the cement of society, the cohesive power which holds its atoms together and yields all the incomes in our land, from that of the Queen to her humblest subject. Confidence not in the possession of a little gold, but in the durability of the fabric of British society, which Alfred the Great organised on the foundation of religion, and liberty, and industry, and which our ancestors

for 1,000 years have added to, till it has attained the colossal proportions we behold this day.

To preserve this confidence, we must do our duty to our God and man, we must have principles of truth that we hold sacred, we must "keep faith," we must study as our duty to our fellow men to keep our labour fairly employed. To cherish national religion and freedom, and to study to fairly employ our labour, is to lay a granite foundation of our social system on an immortal rock. Erect a costly superstructure, it will stand, though the Corinthian edifice may rise high in its graceful beauty, and the jewel in the Queen's diadem sparkle on the top stone. Thus we see that a well constituted state of society contains within itself the elements of all national wealth, and is continually creating it; that it receives capital from its ancestors which they have created, and bequeathed to it, and which it increases, and bequeathes to posterity; that this constitutes the wealth of a people, and that such wealth cannot decay, if the above conditions of truth and duty are observed. And so, if gold becomes scarce, or fails, such a society has it in its own power to afford within itself security for a paper substitute, to the extent required *to employ its own labour.*

A state of society perfect in truth could use an inconvertible paper currency without fear of depreciation. But, alas! you cannot find such a state; it is utopian. Some there are who deny, what revelation and experience tell us, that there is much falsehood in society, and say that men really are good; but as we never find those who maintain this delusion that part with money without legal security of some sort, we do not think them sincere. Seeing then that the imperfection and mutability of man are facts, we subscribe to Sir Robert Peel's notion of the desirableness of the intrinsic value of money. But we have shown that gold does not exist in sufficient quantity to supply our demand, so as to employ our labour: then commerce must stop and our labour must be idle, if our state of society, imperfect as it is, does not, and cannot, present sufficient security for a paper issue to supply the deficiency of gold.



Sir R. Peel has hit upon an ingenious device to meet our monetary difficulties. Finding gold in our coin fixed in price, he compels the Bank to keep in stock an immense amount of bullion to provide against a drain of specie, and thus, together with the compromise of his theory, evidenced by the issue of £14,000,000 on securities, to thereby balance the paper circulation.

The Act of 1816, fixing the price of gold in our coin, is a failure; and that of 1844, intended to amend its defects, and provide against its heavy inconveniences, makes the matter worse, in proportion as it violates natural laws; and its results are, not to check over speculation, but to hamper legitimate trade, and inflict periodically the greatest evil in society. There can be no doubt but Sir R. Peel and his coadjutors, who devised the Acts of 1816 and 1844, were justly forcibly impressed with many evils attendant upon Mr. Pitt's inconvertible paper currency, and especially with those of fluctuations in the price of gold, and those of over speculation; and with the very best intentions, devised a currency as purely metallic as possible to make it, without bringing our commercial system to a dead lock; endowing gold with the property of a standard of value which does not naturally belong to it. Therefore we are in opposition to nature. The law of 1816 fixing the price of gold in our coin was a great mistake made, and the adherence to which has caused the other mistake of the Act of 1844.

The law of 1816 was a mistake, *because any law fixing the price of gold in our coin, must have as a condition of successful operation, that it also fix the price of gold in the markets of the world at large.* Now, although the law of 1816 could fix the price of gold in our coinage, it could not fix it in the markets of the world (it lacked this condition of success); and the result was, a difficulty in the matter of the convertibility of our note, in connexion with our foreign exchanges; for whenever the market price of gold abroad has exceeded that fixed in our own coin, added to the cost of transmission of specie, we have lost our specie, the Bank has suffered a drain of the

precious metals. This mistake has always been in injurious operation, in addition to, and in excess of, the natural causes of fluctuation and distress, acting from the collapse occasioned by the close of the French war, the return to cash payments, and periodical over speculation from 1816 to 1844.

The cost of transmission of gold from London to Paris is from 25*s.* to 30*s.* per cent. Our Mint price of gold is £3 17*s.* 10½*d.* per oz. Therefore, whenever the price of gold in the Paris market exceeds £3 19*s.* per oz., it is a profitable speculation to export it to Paris: and this is done, in spite of our laws prohibiting it. Within the last twelve months, owing to the great rate of interest of money, caused by the operation of our Bank Charter Act of 1844, our coin has been abstracted, sold in Paris at a profit, and *used to discount our own bills at another profit.* Gold is so precious, so portable, so easily withdrawn from circulation, that no law we can pass will ever prevent smuggling, whenever the market price at any place abroad makes it answer the purpose of dealers to transmit it to such place. Therefore, whenever the cost of transmission of specie to any place abroad, added to the price fixed in our coin, is under the market price of gold at that place, the gold ebbs out from the coffers of the Bank of England—this if of sufficiently long continuance would not leave us enough to maintain the convertibility of our Bank note payable on demand. Therefore the difficulty in our foreign exchanges. *We can maintain a fixed price of gold at home, up to the added cost of transmission abroad, but no farther.* Instead of retracing our steps, which may perhaps have been difficult at the time, and abolishing the law of 1816, Sir R. Peel framed the Bank Act of 1844 *for the express purpose of removing this difficulty with regard to the exchanges.* Sir R. Peel avowed this to be the intention of that Act, in other words *to prevent the Bank being so drained of its bullion as to endanger the convertibility of the note.* For this purpose the Act of 1844 was framed, which to a certain extent has accomplished its object, by forcing the Bank to hold an enormous stock of bullion, to raise the rate of interest, and contract the note circulation of the country to a fearful extent—



but it has done so at the expense of placing the commerce of the country in fetters, of causing unheard-of fluctuations in prices, and of, as we shall presently show, causing periodical panics, and bankruptcies, and ruin.

While on this part of the subject, I will anticipate the order of thought, and describe the remedy. We must retrace our steps to 1816. We must abandon the notion of arbitrarily fixing the price of gold in our coin, and subject that regulation to the discretion of the Board of Finance; we must abandon the notion of making our issue of paper depend on the casualty of the possession of bullion by the Bank of England, and allow the Board of Finance, acting on the basis of, and representing the national security, to be guided by the rate of interest, and issue notes to the just requirements of trade; we must cease altogether to encourage the idea of fixing the value of gold, and making it a standard of value to control all commodities. This is not natural, there is no such thing as fixed value in nature. All around us is fluctuating; man fluctuates in his energies; climate and seasons are fluctuating; the harvests and productions of nature are fluctuating; while the reflex action of human passions, desires, and circumstances, taken in connexion with these, give rise to all the alternations of supply, and demand, and value, in infinite and ever-changing variety. Gold in common with every other commodity is subject to this law of fluctuation in the market price; but (which constitutes its value as money) less so than any other equally portable. We must make our note convertible into gold at the market price, at the discretion of the Board of Finance, *whenever that general market price is so far in advance of our home price, added to the cost of transmission, as to abstract our specie,* and thus by a natural operation, prevent that danger to the convertibility of the note, which is now endeavoured to be averted by artificial laws that oppose the laws of nature.

Our laws also act as an inducement to the foreign trader to take our gold from us in exchange for his goods, instead of our manufactured goods of equal value; the same facts that give the data of the process of reasoning, which demonstrates the

proposition with respect to our bullion, will, of course, hold good with our goods, for, if bullion can be exchanged with profit, it is so portable, so safe of meeting with a purchaser, that it will be preferred to our goods; whereas, by allowing our price of gold coin to rise with the market, we effectually stop the operation, by withdrawing the inducement of profit now occasionally acting on the foreigner to prefer our gold to our goods.

But, it may be objected by some, if you give a Board of Finance the discretion to authorize payment of the Bank-note in gold at the market price, the market price would rise, which would have the effect of unduly benefiting the fund-holder and national creditor; would make the national debt more burdensome, and, in fact, practically increase its value. The object of our plan is to do with less gold than we now do, and undoubtedly it would produce that result to a very great extent. We propose to issue £2 notes in addition to £5 notes, based on the national security, and so decrease our demand for gold. We have shown that we cannot fix the price of gold in the markets of the world; that the natural and general law of supply and demand rules them in spite of any artificial laws we may make. Unless, therefore, we increased the general demand for gold by any proposed alteration in our currency laws, we could not cause a rise in the general market price. But because our plan would require much less gold to maintain the convertibility of the note than the present system, we should not increase the demand, but rather decrease it. Therefore, the natural tendency of the change we propose, would go rather to lessen, than increase the general market price of gold; and would not increase the burden of the debt. It will be found that whenever the general market price of gold has risen, it has been either from increased demand, or from some cause operating to the injury of the stability of public order, and national credit, and confidence; and that this has principally been caused by wars internal and external. The history of Europe, from 1800 to 1815, proves this. The more we relax the stringency of our metallic system, the more we tend to lower the price of gold, so long as our national



credit and confidence are not depreciated. And that national credit and confidence can never be depreciated, but must be enhanced in the greatest degree, if paper be only issued by such an authority as that proposed to the extent required to fairly employ our labour and maintain the value of our stock and national capital. Therefore the apprehension is factious or absurd.

But it is further objected that a medium of exchange, not fixed in price, would entail great inconvenience; and this sounds plausible. But we must request the reader to suspend his judgment till he has weighed our remarks on the Bank Charter Act of 1844. He will then comprehend how the price of gold may be fixed, and it be artificially endowed with the property of a standard of value, yet be the cause of fluctuations in the price of goods so great, that compared with them, any slight variation in the market price of gold would be unimportant; so great as to cause periodical stagnations of trade and idleness of labour.

It is evident that the fixing a standard of gold is of no use in practice, as preventive of fluctuations, unless you could also fix its power in exchange for goods; and that if your laws, by fixing a standard, and placing it in a position to combat the consequent difficulty of the foreign exchanges, and yet ensure the convertibility of the note, create great periodical artificial scarcities of money at home, and, of necessity, equally great and commensurate fluctuations in the prices of all our products of industry; the real *exchangeable power* of money (which is the true meaning of fluctuations in prices) is also made more fluctuating, though the gold standard may be nominally fixed. If these fluctuations in the prices of goods with our mint laws very greatly exceed the fluctuations observable in the market price of gold, *prices would, on the whole*, be greatly less fluctuating if our note were convertible at the market price, than they now are at the price fixed by our money laws. That such result would ensue to an extent beneficial beyond belief is evident, when we consider that the rate of discount under our present laws has fluctuated in a short time between three and seven

per cent., or more than cent. per cent. in price. Also the prices of all wages of labour, all articles of consumption, all clothing, all house accommodation, and all fixed property and general rate of interest of money, would be more uniform than now. The exchangeable power of incomes, the prime cost of merchandise, and trading operations, the remunerative power of all investments of fixed or floating capital, could be calculated with greater certainty than now; contracts, engagements of all sorts, profits of trade, could be estimated with far greater precision, from which would ensue less bankruptcy, less gambling speculation, less periodical depreciation in the value of fixed property; more steady employment of labour, more equal profits of trade, and a greatly improved tone of commercial morality throughout the entire community.

But, it is asked, how would the public be informed of the rate of exchange or convertibility between the Bank note and coin of the realm? there would perhaps be some confusion in the practical working of the system? None whatever!

It is remembered that our main point is, that we have a properly informed and highly constructed Board of Finance, exercising discretionary power to administer our currency laws. That Board would of course so far recognise the wisdom of Sir Robert Peel's idea, as to appreciate the fact that the greater fixedness we can communicate to our medium of exchange, so as to allow it the required elasticity to conform itself to the *natural fluctuations of human circumstances*, the better. The cost of transmission of specie itself operates as a natural protection, which would in ordinary circumstances be sufficient, so that an uniform rate of exchange or convertibility at our present price need not be departed from till the price in any foreign market, being greater than our price, added to the cost of transmission to that place, renders it necessary. The indication of this would be the loss of our gold, the tendency to which, in connexion with the price in the foreign market, would have to be carefully watched. Our Board of Finance would then raise the rate of exchange *till further notice* (of course in the smallest required practical degree), and communicate this to the various commercial centres through



the Bank of England. This would be as easily received and acted upon by the community as that of any fluctuation in the price of Consols, or stock of any sort occuring on 'Change, of corn quoted in Mark Lane, or of butchers' meat in Smithfield. These are received and acted on by all the intermediate dealers, and find their last result in the amount paid to the stock broker, the butcher, or the baker, by every person rich and poor without difficulty or dispute, through the ready and instinctive faculty which men have by nature, to accommodate themselves to the markets and fluctuations of every-day life, in the largest community, as habitual experiences occasioning neither surprise nor disorder. The whole system would indeed be far more easily carried out than the present one, while the minutes of the Board of Finance would form a correct history of prices.

The Bank of England and the circulating medium have been compared to the heart and blood circulating in the human system. If that figure of speech be correct, the vital fluid may exist in excess, or in defect, or in proper quantity; nature may go too fast and become plethoric, may receive insufficient nutriment or irregular, and at times look lean and starved, or there may be the judicious diet, which produces health and vigour. It is evident that the medium of exchange does, in some sort, exercise analagous functions; an over-abundance continuing for a length of time makes money to fall in price, and become cheap, speculation ensues, a number of schemes are concocted, promising great gains, some illusory, a few perhaps probable; a vast stimulated state of our social system ensues; labour and goods fetch high prices, trade is pushed; task-work takes place of day labour; men labour over-hours, too often not to lay by for future need, but to spend in waste. Excess in sensual enjoyments, strong drinks, riotous living ensues, public morals are depreciated, and over-production makes way for collapse, when the least contraction of the circulating medium arrives.

The reverse side of the picture is a contraction of the circulating medium; money is dear; prices are low; property of all kinds is depreciated in value; trade becomes dull; bankruptcy more frequent; idleness, privation, want ensue

among the labouring classes; home's comforts chased away by destitution; the hand of charity paralysed; the workhouses besieged; the gaols full; the ties of home and country broken, and emigration promoted as a sort of safety-valve to prevent an outburst of popular discontent.

We know that, under our currency laws, both of these states of society have been seen, attending an alternate plethora, or want of money, as well as the usual regular, comfortable, and orderly aspect of society presented by the state of things when *the interest of money ranges from four to five per cent.* Now, it cannot be that this is a necessary position of things, either on one side or on the other.

Some people say it is a necessary result attending our present artificial state of society, considering all states of society artificial in which the agricultural element does not predominate. But that is an antiquated prejudice, or the race of Britain is run. That cannot be an artificial state of society in which men are seen who enjoy a hale and green old age, varying from seventy to eighty years, or even more. Neither can it be a necessary position of things when all, excepting the circulating medium, is unchanged. The country is the same, its contents are the same, the same number of men, the same quantity of goods, the same land, the same public buildings and private dwellings, the same railways, the same stock and plant of all sorts, the same warehouses, factories, markets, shops, ships. Only one article is not the same, and that article, gold.

The Bank Charter Act of 1844 provides—

"That the issue department be kept distinct from the general banking business of the company.

"That the company appropriate £14,000,000 securities to the issue department, of which the public debt is to be deemed a part, and of so much coin and bullion as shall not be required by the banking department; thereupon an equal amount of bank notes, including those in circulation, shall be transferred from the issue department to the bank department, and the whole amount be deemed to be issued on the credit of such securities, coin, and bullion."



The effect of these provisions is, that so long as the home trade is free from any extraordinary rage for investment, whereby *floating* capital is transformed into *fixed* capital, and perhaps for a time rendered unproductive, so long as the exchanges, with regard to foreign trade, are not against us, and so long as good harvests at home ensure a sufficient supply of food to the people, at a reasonable price, gold in plenty flows into the country, and, as dealers in bullion, into the coffers of the Governor and Company of the Bank of England; there is plenty of money; the rate of discount is low; the funds rise, and the community presents the aspect of a fair and healthy employment of labour, liable to the plethoric excess I have before described, with its rash schemes, its over production, its stimulated social system, and its excess.

But when adverse circumstances arise, which, in the nature of human affairs, they do every few years, we find that the operation of the Act of 1844 is very injudicious. A short harvest or two; a war with a great foreign power; the continued unfavourable state of the exchanges, and then gold flows out of the country faster than it previously came in. The Bank loses its bullion (for the Russian corn agent or grower does not look on the promise of the Governor and Company of the Bank of England to pay on demand as we do, but must have the precious metals, which have an exchangeable value everywhere), discounts and interest of money are high, money becomes scarce and therefore dear. When this is excessive, and continues for any great length of time, trade declines; alarm becomes excited; capitalists hold their own; speculation is stopped; money advanced on securities is called in; men trading on borrowed money are obliged to realise property at great, perhaps ruinous, sacrifices; some get involved; then comes the downward movement, striving to put off the evil day, usury, bankruptcy, dishonesty; and, among the operative classes, want of employment; able-bodied men doing nothing; pauperism, emigration, crime. Such is no overdrawn description of the working of our system at these times, for when the contraction of the amount of gold arises there is a corresponding contraction of the issue of Bank notes.

This gives rise also to a great contraction of bills of exchange, and general shortening of credit, which, when pushed beyond a certain limit, creates alarm, shakes confidence, and *causes transactions to gravitate with accumulative force towards dealing for cash.* An incalculable amount of loss, privation, and suffering, altogether unmerited, results, and only those prudent and cautious persons, who keep aloof from all contingencies of the sort, weather, or are harmless from, the storm.

Now, though a wise man who values his own peace of mind and preservation of a good conscience, will rather be content with little and keep out of the reach of such contingencies, yet it is a question which calls for grave and serious consideration, *whether the maintenance of the position and trade of the British empire, and her capabilities to well employ her people, and pay all the expenses attending her government and the debt,* does not depend upon a *greater spirit of enterprise* than those cautious and wise persons alluded to, *who risk nothing,* under the Act of 1844, are found to exercise. It seems that the employment of the energies of those sanguine, active, and aspiring men, who risk the dangers of that Act (probably because ignorant of the unseen sands on which they may make shipwreck), has had a great deal to do with the *development of our commercial greatness.* It is not just, therefore, that such men should be exposed to *more than the natural fluctuations of human affairs,* by class legislation, or legislation in which an erroneous idea of the natural superiority of gold, over other commodities, narrows the mind, and renders it unable to perceive and grasp the truth that a freedom of currency, under judicious control, is necessary to the prosecution of freedom of trade, the employment and subsistence of our people, and the payment of our debts.

The state of things resulting from the contraction of the circulation occasioned by the working of the Act of 1844, in time of panic, necessarily places a large portion of the property of the country at the disposal of the *holders of ready money,* at a *depreciated value.* I once heard a capitalist, when driving a hard bargain with an individual who had plenty of value, but was in want of cash, say, " My name is ready money." It was one of those pithy sayings which, spoken under such



circumstances, are not easily forgotten. It is not necessary to expatiate upon the advantages the fortunate possessor of this article has, at such times of pressure, over his less foreseeing, less cautious, less prudent, but, it may be, not less honest fellow-citizen. There is a just superiority which such qualities ought to command, but ready money unchecked goes far beyond that; it is greedy, selfish, overbearing; it takes advantage of necessity; it degrades itself to usury; it buys at the market price, however much that price may be depreciated, not only below the *real value,* but below the *cost of production,* and so the man of capital grasps the fruits of years of toil, of thought, of hardworking, anxious solicitude, and labour loses its reward. Families are deprived of comfort and content, perhaps of character and necessaries, in order that one may rejoice in the acquisition of great bargains that violate every law of equity and right.

And why is all this? Is it just? Is it true that gold (under which term I include all the metals which are employed in our monetary system) has a certain mysterious, intrinsic, undefinable charm, *that people of sense cannot comprehend,* which entitles it to control the price of all other commodities which have an exchangeable value; and not only these, but the labour of the human energies also?

The answer is emphatically, No! gold really is just as much and no more an article of commerce as iron, or any other article; it is subject to the same laws of production and distribution, of demand and supply, as any other article in general use. Because of its use, beauty, and ductility, whereby it is capable of being applied to purposes of ornament and luxury, it has always been in demand among all nations, at a price great in proportion to its bulk, but which they have been willing to pay for it, a price remunerative of the labour of its production and distribution. It has, therefore, because of this combination of properties, united with its great portability, possessed an exchangeable value, more steady, less fluctuating, and more equal in all countries, than any other article of commerce. And this has particularly caused it to be employed,

as a *medium of exchange*, and under the governmental prerogative, coined into current coin of the realm, in those countries who have been so wealthy as to be able to procure it. It is easily passed from hand to hand; it wears well, and has been adopted by common consent to avoid the difficulties and, in many cases, the impossibility of barter. And this established usage, through the lapse of ages, has become interwoven with the ideas of men, formed by education and by habit, so that men have forgotten its simple and real character of a *medium of exchange*, and invested it with a false and unjust property of a *standard of value*, given it a despotic government over other commodities, and made them arbitrarily bend to its authority, although without foundation in reason or justice.

Now, there is no natural reason why this practice should be pushed to the extreme it is. Gold is just as much a commercial commodity as any other article. Every article of commerce bears a certain proportion to the sum total of the wealth of the community, and gold among others. That proportion is the sum total of its own exchangeable value, compared with the sum total of the wealth of the community. Therefore, gold is superior to any other commodity, in the ratio of its own individual excess over that other, as compared with the aggregate wealth; and then over and above that, we should be disposed to yield it a preference to any other as a medium of exchange, to the utmost bound of justice and sound policy.

But if it be clearly shown that we cannot have that gold in sufficient quantity to transact our business, and that we must see the Americans, or any other rival commercial power, *take that business, while our own labour* may, at the same time, be *partly unemployed;* if we see that this prejudice at times drives away from us our strong, able-bodied, and enterprising men, who emigrate under its pressure, leave their *weakly* connexions behind, often to live on the parish or by charity, and go with their labour—which is "profit"—their health, their intelligence, to enrich America, or any other country; then it is clearly our duty to sift the matter to the bottom, and conform our policy to those facts of truth and right doing, that are



discovered by the process; and if any other article, not having an intrinsic exchangeable value, will supply that deficiency, to use that article, giving it a *proper basis of real value* to command confidence.

We have contracted a heavy debt on behalf of humanity, and we must pay the interest of that debt. The man is a traitor to his country who would propose to compound for that debt. It would be national dishonesty and ruin! But to do this we must submit to a taxation which raises prices, and enhances the cost of all our industrial fabrics.

The superior industry, property, and good conduct that have enabled us to make these sacrifices and borrow the requisite money to conduct the French War, are still in existence, in an enormously accumulated, and still rapidly increasing, amount, to form security for a sufficient circulating medium to fairly employ our labour. Any country, however uncivilised or subject to revolution, can deal for gold. It is only one which can give good guarantees for order and good faith, that can employ paper. If, therefore, we are so hampered by ignorance, by prejudices, by want of honesty and faith in one another and our country, that we will not use paper, we forego our just advantages, and embark in the competition of nations, encumbered with the ponderous weight and drawback of debt from which other countries, whom we have saved, are free. Our cost of production exceeds theirs! But if we issue paper money in sufficient amount to set free our labour, plant, and machinery, our living superiority of motive power and intelligence will be greater than our dead weight of debt, we are compensated for our sacrifices and rewarded for our generosity, industry, thrift, and intelligence, and we are not, as now, condemned with fettered limbs to run an unequal race.

The question arises, What is that ample security which forms the basis upon which you propose to *extend* the circulating medium, *from the amount of gold having intrinsic exchangeable value, but which is deficient in quantity to supply the wants of trade,* to *the remainder of paper* required to make up that deficiency, under *proper control?*

I repeat, the *remainder of paper?* The answer is, The national wealth. Well, but, it is asked, where is it? We answer, Look around you! look at the accumulations of centuries—centuries of order-loving, dutiful, sober-minded industry, on behalf of the people. Contemplate the £5,000,000,000 of capital, floating and fixed, which is the result of this accumulation. It is seen about you everywhere. Some parts of it present themselves wherever you turn your sight: your lands, buildings, dwellings, ships, railways, warehouses, docks, canals, machinery, plant, shops, markets, roads, bridges, as well as money or bullion, and manufactured goods and stock of all kinds. Surely, if our civilisation is worth something; if continuance in industry and thrift, and accumulation for 1,000 years, goes for anything at all; if we can give any guarantee that we shall not within a few years return to that state of barbarism in which Julius Cæsar found us; all this presents a security boundlessly ample to the most nervous sceptic, for the comparatively small addition of paper issue we require, to complete our free trade system and unshackle our industry.

View also your civil constitution, which ensures the liberty, and so commands the love, of the people, based upon Christianity, teaching obedience and good order; your public education that, if the people are *profitably employed*, places anything like revolution or civil strife upon an extended scale among the hopes or the fears of a lunatic. And last, but not least, look at your sum of *living labour and intelligence*. Your Queen, who assiduously does her exalted duty; your legislators, who devote unremitting toil to the public service; your statesmen, of large hearts and comprehensive minds; your judges, of perfect integrity; your noblemen, country gentlemen, and land-owners, who are so many centres of local order and benevolent deeds, and connect the present age with those of the illustrious in the past; your enterprising and gifted merchant and commercial chiefs; your patient and industrious tradesmen; your ruddy and hearty farmers; your mechanics, of whose skill our magnificent edifices are the monuments; your labouring men, whose brawny limbs give physical power



to all the rest; your ships, that bear to every nation the witness of your strength and industry; your sailors, that guard and protect our country; your soldiers, that stood as a wall of iron at Waterloo and Inkerman; *and with reverence*, His aid from whom cometh "every good and perfect gift," that is always given to the cause of truth and justice.

Now, it never will be for a moment put forth that this national wealth, in the accumulated sense described in these pages, is not security sufficiently ample; does not furnish sufficient "material guarantees" for the exercise by the nation of the power to *adopt any modification of the Act of* 1844, which is necessary to *adapt it to present and altered circumstances*. It cannot be that all this which I have named above goes for nothing, and that the great family of Englishmen, or, if a commercial phrase in addition would be more applicable, the great *joint stock company* of Englishmen, that have been *in business a thousand years*, whose history is the most stupendous fact of ability, industry, and love of order the world has ever known, who have this *vast capital* of £5,000,000,000; who have faith in one another, and in Providence; who, amidst all the changes and mutations of life, have held their onward way with an *energy* that has never *flagged*, and an *honesty that has never compromised*, and who are now stronger to labour than ever; it cannot be that this company are incompetent to do what is required, to employ their own labour, and to protect their capital from sudden and unjust depreciation. A saying is attributed to the late Baron Rothschild, when requiring the guarantee of England to some foreign advance, "That is the horse that has never known a fall." Let us not so wofully underrate ourselves and the security of substantial value which we and our forefathers have laboured hard to produce and to accumulate through ten centuries. What now underlies the promise of the Governor and Company of the Bank of England to give cash on demand for the £10 note which you pay to the tradesman who supplies your articles of daily consumption? Why, the nation! What, in face of the alarm inspired by Bonaparte's colossal power and fierce enmity, maintained the

inconvertible paper currency established by Mr. Pitt, and in use during the French War, from 1797 till Mr. Peel's Act of 1819? The nation! Then the nation has quadrupled its security since; and it is not fair to be met with a statement so very puerile and childish that it is not competent to exercise a wise discretion in the conduct of its own money matters now.

But a great improvement may be made in the form of the Bank note. The present note conveys no notion of national security or responsibility to the holder. It should do so. For this purpose the wording of the note should express that it is issued by the President and Board of Finance, payable on demand at the Bank of England, and be signed by the Secretary and countersigned by the President of the Board. The Royal Arms, as seen heading an Act of Parliament issued by the Queen's printer, should be engraved with the No. and Chap. of the Act, and the "image and superscription" as on the coin of the realm. Thus the public would become familiar with it as a *national instrument*, confidence would increase, depreciation being unlikely; it would be *associated in idea as* based upon the *national rank, property, and capital represented at the Board, according to the letter and spirit of our representative constitutional government, which the nation would be bound to honour.*

I have thus endeavoured, as clearly as I can within the space of pamphlet, to convey to the reader the injurious operation of our monetary laws. Of the law of 1816, that fixes our price of gold in coined money, *which unless it fix the price of gold in the markets of the world at large must fail*, and act like a scarcity of corn, or a great war, in causing an abstraction of our specie, and endangering the convertibility of the Bank note whenever the price of gold in any foreign market is in excess of our home price, added to the cost of transmission to that place—also that we cannot so fix it.

It has been shown that although the Bank Charter Act, by accumulating bullion in the coffers of the Bank, and at the same time forcing a contraction of our home circulation, enables



the Bank to endure the drain of specie thus created, till the gold in some measure returns to the commercial centre; yet that it does so by creating all the miseries and distress at home, attending stagnation of trade, want of employment, depreciation of property, panic, arising from an insufficient medium of exchange. It has been shown that, in 1847, such distress was so great as to cause the Bank Charter Act to break down, and may become so again. I have shown that this law is diametrically opposed to a free trade system, based on the fact that we are dependant on foreign countries for the supply of sufficient food for our people. I have pointed out the remedy of substituting, for the unnatural laws now operating, the creation of a well constituted Board of Finance, representing all our great national interests; bringing the watchfulness and control of the human mind to do its proper work; having the government of our currency, the discretion to authorize the issue of notes, payable on demand in specie at the market price, when necessary to the fair employment of labour; and the prevention of the depreciation of property and general distress; and that we have ample security of real value to give for the operations of such a Board.

I have also endeavoured to convey to the reader the nature of the immense and ample *material security* of fixed and floating capital we possess, and our practical good sense and mutual self-interest tending to increase its value. Though we cannot estimate the *increase* which such value may derive from our *continued improvement*, we may fairly say, that nothing less than a judgment from heaven, equivalent to an earthquake, could *so destroy* them, as to render them *insufficient* as security for the *complement* of *paper* necessary to the practical efficient working of our monetary system.

But some partisans who uphold the Bank Charter Act, meet every argument against it, and in support of an expansion of paper currency, even though that expansion be under the control of the highest qualities of human nature, with a cry of "depreciation," and are as unreasonable in their persistence in their crotchet, and substitution of sound for sense, as those

enthusiastic lovers of paper, who maintain that it cannot be issued in excess. Now, because words sometimes exercise a mighty influence on the ideas of men and the order of events, and because this word "depreciation," which in the minds of some is nearly synonymous with bankruptcy, and which is used much as the cry of "Wolf!" was used by the boy in the ancient fable, we will inquire the meaning of it. Dr. Johnson says to depreciate is "to lower in price."

Now, the prices of all commodities, gold as well as any other, like the motions of the planetary system, are governed by a composition of forces. There is a continual gravitation toward the cost of production and distribution, but this is continually acted upon and modified by the almost innumerable variations of supply and demand, amidst the different circumstances of time, place, and social development among men. The elements of all value are to be found in the mutual relations of labour, and food to support it while engaged in its production and preparation for consumption; but the more populous and refined society becomes, the more prominent becomes the influence of supply and demand, in modifying this law and causing fluctuations of price. But articles of food cannot be used as a medium of exchange, and men use money. Therefore money is an artificial instrument, devised by men, to facilitate the exchanges of natural productions, and its proper function is to enable men to exchange, with the utmost ease, one necessary article of supply which is required for another: corn for beef; both for clothing and lodging; and labour for all. To do this upon sound principles, money must exist in a certain adequate, but not superfluous, quantity; and should be governed and watched in its operations with the greatest care by man himself. Of all social influences it requires government the most, and to be considered as a servant to obey, not a master to command.

A well informed and discreet government will especially take care to provide against a scarcity of money on the one hand, and to guard against excess on the other; because the one tends to diminish the price of labour and goods—the other



tends to stimulate too much the social system, and to over labour and production. The state of employment of the people, its wages, its number of hours per day, the state of pauperism, emigration, crime, the public rate of interest and discount; these taken collectively would as truly indicate the excess or defect of the circulating medium or money, as the height of the quicksilver in the thermometer would indicate the state of the atmosphere. Generally any *undue* scarcity of money lowers the exchangeable power of labour, and therefore lowers the price of it—*labour* is "*depreciated*;" the reaction from that state of things would restore to labour its right reward, and *money* would *depreciate*, and in such a case so far from "*depreciation*" creating alarm it ought to inspire gladness, for it would be the sound of liberty to the industrious man pining in idleness, it would open the door of the workhouse, it would be food to the hungry, clothing for the naked, "a fair day's wages for a fair day's work" to the operative, and wealth to the nation.

Money having intrinsic value cannot depreciate, but paper can indefinitely. If sufficient confidence exist in society paper money will maintain its position; but if not, as that confidence decreases, it may depreciate till it is worth no more than its own value as paper. We have fully treated on the nature and conditions of public confidence, so will not be guilty of repetition. We think it is proved that we have a sound basis of property and manhood for our public faith. But there are alarmists, from natural fearfulness, whom nothing will satisfy but cash in hand, or at the bankers; and there are others, from selfishness and covetousness, whom no reasoning would convince. With those persons I will not waste words; but the noble, the just, the fair-minded, the honest-hearted, the patriotic Englishman, will coincide with me. I know he will, for he has faith in his fellow-citizens, and a love for and confidence in the noble country whose history can read out 1,000 years of good, steadfast, honest conduct, and who has been blessed with wealth and influence above all lands. These *depreciationists* point to the Bank paper of the French War. It will be remembered we do not propose

an *inconvertible* paper currency, but a *complementary* paper one, *under judicious control.* And even with regard to the inconvertible paper currency alluded to, it is a marvel that it did not break down. When we consider the greatness of the European struggle, the vast outlay entailed, and the increased demand for the precious metals, the depreciation was really small; till the colossal growth of Napoleon's Empire, and his almost superhuman daring and success, caused well-grounded fears for our national solvency, if not for our national existence. It will, upon reference, be found that paper depreciated exactly as Napoleon's power and our fears increased, that such depreciation was at its highest just previous to the news of the retreat from Moscow; and when it became evident that the gigantic struggle, protracted to the verge and limit of effort and endurance, was to have respite, and the Almighty had precipitated a premature winter that buried the veteran armies of France beneath its snows, and sent their mighty Captain home a broken man, his charm of destiny dissolved, and his visions of universal empire chased away for ever, the "*depreciation*" relaxed, our national confidence returned, we took fresh heart, and went on our way. I need not, I am sure, dwell longer on "*depreciation.*"

While on this topic there is one remark more. It is asked, If these currency laws are so injurious, how is it the country has prospered as it has; we always have money to keep us going somehow? We answer, *Because of* "*Bills of Exchange.*" To some extent *the* "*Bills of Exchange*" *are the instinctive resource of an intelligent and free people, who feel that they must live,* who perceive that governmental wisdom does not perfectly comprehend the *true relations* subsisting between *labour and money;* and who act upon the *inspiration of necessity and make money for themselves.* I will not enter further into details on this subject now, for I have already trespassed at greater length than I intended on the patience of the reader; but such is the true fact of "*Bills of Exchange,*" but for which our monetary laws could not have been endured one twelvemonths, in connexion with our unprecedented national



development, our increase of population, and our extension of commerce. It is a fair question, and would be well inquired into, whether the very great freedom and irresponsibility in private issues and circulation of bills of exchange, and creation of paper money, do not tend to supersede the governmental prerogative of creating and issuing money, to an extent injurious to the commercial morality of the country, and to the promotion of undue speculation.

It will be gathered from the foregoing remarks, that some competent body of men, not a trading corporation, should be entrusted with the responsibility and power, within legal limits, of governing our monetary system; and the consideration arises, to whom would you entrust so important a function, and which requires such a combination of great honesty, and great wisdom, and clear-sightedness?

There are several bodies who may be considered to represent the country commercially and otherwise. The Queen's Privy Council; the Houses of Parliament; her Majesty's Government; the Railway Companies; the East India Company; the Bank of England; the Bankers of London and the Country, and the Merchants of England.

From these bodies I would propose to constitute a Board of Finance, that should have power to carry out these regulations, subject to the veto of legislature.

1. To have control over all proceedings of the Bank of England, in its transactions as the National Bank, which should furnish a periodical statement of its affairs as at present to the Board. To give its official authority for the issue of all notes, issued on the basis of securities, coin, and bullion in hand, and no such notes to be issued without such authority.

2. To lower the amount of our paper currency to issues of £2 notes; such notes and all others, to be a legal tender payable in specie at the current market price on demand by the Bank of England, at the discretion of the Board, but as has hitherto been the regulation, the Bank of England not to have the power to itself to pay any note as a legal tender.

3. To have a discretionary power to authorise the Bank to

issue an additional amount of notes to those issued on the credit of the securities, coin, and bullion (if necessary to the requirements of trade), such discretionary power to cease when the rate of interest of money is not higher than five per cent.

4. To have a discretionary power, in the event of gold being very abundant, to authorise the Bank to retire notes issued on the credit of the securities held, such power to cease when the rate of interest of money is not lower than three-and-a-half per cent.

5. To have power to contract the issue of provincial banks, to be left by law as at present.

6. To have *extraordinary* powers to authorise the Bank to issue one pound notes, to *temporarily* suspend cash payments in times of extraordinary scarcity of gold, distress, and panic, and adopt measures necessary to an emergency, till the judgment of the legislature can be obtained. .

7. To make a yearly report of its proceedings to the legislature. To have power to collect information as to the state of employment of labour and trade generally, the state of pauperism, crime, and emigration, and any other data necessary to its efficient action.

The subject of the currency, which, of all others, requires attention and regulation by honest, able, and experienced men, is the only one arising out of our existence in civil society, that is not thus governed. Yet it is subject to great and excessive fluctuations from the influence of events.

Therefore, the necessity for government, and watchful supervision. No artificial mechanical inanimate laws can compensate the absence of man's natural sentient and continuous control. We should obey the voice of nature in this respect. What would be thought of a captain who, when a storm arose, should abandon the helm, and leave his vessel to drive on through an intricate navigation, with no guide but the judgment of the unscientific crew? Yet such is the course we adopt! Instead of calling our best intellects, and our most self-sacrificing men to the helm, when the state is threatened with social evil, we surrender it to fixed regulations, dependent on the possession of a certain amount of gold, and let it drift



at times to the very verge of anarchy. Gold is precious, but it has neither *heart* nor *intellect*. *At such times we want both, and of the best quality.* A board of the construction I have named, more general, more national, exercising *higher functions* than those of the Bank Directors, would meet the wants of the age. It would exercise its functions *subordinately to the legislature;* it would have discretionary power, within the before-named limits; it should be endowed with the power of getting the requisite evidence to furnish data for its decisions. It is indisputable that, on the whole, the country is never in so satisfactory a state as when the interest of money ranges from four to five per cent. The interest of money; the exports and imports; the prosecution of legitimate trade; the absence of wild schemes and speculations; the state of our workhouses and prisons; the absence of emigration to any serious extent; these are all data for the decisions of such an authority, and these data it should have power to collect. Thus the powers of human nature would be called into play, when man ought to be at his post, and exercise his noble gift of perceiving the truth, and acting judiciously upon it; of guiding and controlling the State amidst the conflict of difficult circumstances. We find that in 1852 the rate of discount was down to two per cent.; in 1856 and 1857 was up to seven and-a-half per cent. Such enormous fluctuations are unknown to corn or any other article of consumption. It is not necessary to do more than state such a fact, to amply bear out what has been advanced, and demonstrate the necessity and duty of establishing an authority that would exercise a present and practical adjustment and direction of our monetary system.

I would suggest the formation of a board of twenty-one members, taken from the public bodies I have previously named, to be elected, with the exception of the members of her Majesty's Government, who would be ex-officio members of the board.

Ex officio
- 1 The Chancellor of the Exchequer. President.
- 1 The Premier.
- 1 The Secretary of State, Home Department.
- 1 The President. Board of Trade.

2 From her Majesty's Right Honourable Board of Privy Council.
2 From Peers of the Realm.
4 From Members of the House of Commons.
1 From Bank of England Directors.
2 From Bankers of London.
1 From Bankers Provincial.
1 From East India Company.
2 From Directors of the North Western, the Great Western, the Great Northern, the Eastern Counties, the South Western, and the London and Brighton Railways.
2 From the Merchants of England (the qualification of the merchants, electors, and the members elected to be fixed).

No. 21

There can be no doubt that any powers necessary to the modification of our currency could be safely entrusted to such a board as this, having control over the proceedings of the Bank of England in all matters relating to the national business, and itself responsible to the legislature, and that an authority, so constructed, would command public confidence.

It has been thus endeavoured, clearly and plainly, to put forth this question of our monetary system, divested of technicalities of banking and other details, which are not necessary to it. While advocating the adherence to the metallic basis, as far as consistent with the public good, and the dictates of justice, we do think that such an authority as that named would exercise a wise discretion in seasons of difficulty, and avoid those panics which now destroy confidence; impair credit; cripple legitimate trade; send many an honest tradesman into the *Gazette;* throw labour out of employment; harden the hearts of men; increase pauperism; promote crime; cause a depreciation in the value of all fixed capital, stock, machinery, and labour; and only give unjust power to the possessor of ready money.

No reasonable person can doubt that our position, as a nation, fully justifies our creation of a power such as that proposed, and that the education and commercial habits of our



countrymen are so advanced that they would honour and observe its proceedings. *So long as the people of England can earn remunerative wages, from a fair employment of labour, the demagogue spends his strength in vain.* With the people regularly employed in this way, at from nine to ten hours per day; with a proper solicitude on the part of the higher classes, displayed in seeing that they are well educated and well housed; with the Sabbath regarded as a day of rest and devotion; * with the interest of money between four and five per cent.; and with the cultivation of the friendship of neighbouring countries, the well-being and prosperity of our country are immoveably secure.

"The profusion or absence of a given quantity" of gold creates no proper necessity for us to be distressed for labour at one time, and to behold it pining in idleness at another, to the extent we do. Neither have we arrived at the state, as a nation, when the development of our country has reached its climax, and we can maintain no more strong arms and stout hearts to assist us in peace, or, if necessary, defend us in war. The free-trade has removed that difficulty, and, by pursuing a peaceful and Christian-like policy, we are not likely to want bread to supply the wants of our people. We are not over populated. There is yet room for every honest and industrious man to live in health and contentment within our own shores, and (which is as far as we need to look into the future) room for the increase of our day and generation. In such a country as ours, where improvements continually take place, and new interests rise into being and supersede old; where the price of food is liable to considerable fluctuations, and supply and demand sometimes invert their relative positions, emigration is at times highly useful and necessary. But we require no emigration beyond the natural ebb and flow which a free commerce and an increasing facility of international communication will always cause among an enterprising and high-spirited

* I am afraid many will think the mention of the Sabbath irrelevant, and perhaps ridicule it; but it is my belief that its due regard is essential to the good regulation of labour and health of our social system, and therefore that it is not out of place in a work on political economy.

people. The necessity of frequent or constant emigration to avoid starvation, pauperism, or sedition, does not exist. The Russian war proved that we are not too plentiful of men. The tens of thousands of strong and able men, the pith and marrow of the body politic, whom the stagnation of trade, and the distress which resulted from the fears and phantoms of the free-trade agitation, caused to rush to America, to California, to Australia, would have enabled us to have made a better stand in the Crimea, and more equally to have divided the honours with our continental ally. The circumstances of our own colonial and Indian empire tell us that *an extensive dominion requires an adequate home population to govern it.* Surely, if an American negro slave is worth so much more than his cost of maintenance as to cause the American people to compromise both their religious and political integrity to maintain an un-Christian and inhuman traffic, surely a *British freeman*, strong in health, acute in intellect, and inheriting the "common right" of property in the traditions of his honoured country, must be worth something, even making all due allowance for different conditions of existence, and should not be heedlessly parted with. Therefore, if anything in our monetary system tends to force an unnecessary emigration, from the causes I have set forth, that obstacle ought to be removed.

| | |
|---|---|
| In the year 1851 the population of Great Britain amounted to . . . | 21,720,000 |
| Our exports of home produce, real value, were, in 1855 . . . | £100,000,000 |
| Imports . . . | 143,850,000 |

A debatable question is raised by this table, whether the excess of imports does not show that our social and commercial system, on the whole, is accumulating a too numerous luxurious class in our population, though a very energetic and enterprising one.

However that may be, with a population of this amount,



and of so enterprising a character; with social and political institutions educating them in an enlightened self-government, ruled by a sense of duty to God and man, and with a policy of free-trade, promulgated to all the world, a medium of exchange, free to expand or contract under proper authority and sound judgment, has been shown to be necessary. Our own present situation so grievously changed from that which, a few short months ago after the close of the war with Russia, appeared to promise peace and prosperity, calls for a spirit of patriotism, of superiority to class and party interests among all people, that we may stand ready and be prepared for possible as well as probable events.

The revolt of our Indian empire may, and doubtless will be put down by force of arms, but that done, our work begins. If that vast dependency is to be anything beyond an expensive incumbrance to us, we must lay aside the hauteur and the selfishness of a dominant race, show our Christianity by treating the Hindoo as a brother man, elevate his character, and develope the resources of the country as we have never yet done. The work is great and difficult, and one of many years, but it is our path of duty. But it *may be* that an exaggerated idea of our difficulties, or of our inability to meet them, will hold temptation to the ambition of some European potentate to profit by our besetments. Past experience and knowledge of human nature, as seen in princes, would lead us to be alive to such a contingency. If plunged into a great war with a first-rate European power, headed by a chieftain of adequate ability to wield its resources, could we carry it on under the Bank Charter Act of 1844? That is a grave question, and should be weighed in all largeness of apprehension, yet all soberness of mind.

With the career of the *first* Napoleon in the memory of our fathers, and with that of the Emperor Nicholas of Russia fresh in our own memory, we must be satisfied that the ambition of princes is not always bound by truth and good faith. We trust such a contingency is not probable, but cannot disguise from ourselves that it is quite possible, and it should not

find us with our financial lesson yet to learn, and a monetary system liable to break down. British industry, which could alone under Providence find the sinews of war, should not be hampered in its free action by laws of man's making, which are opposed to the laws of nature. It would be impossible to conduct such a war under the act of 1844, and if we attempted it, we should experience first a panic approaching to national ruin, then a suspension of the Act itself, then perhaps a repetition of the financial ignorance and recklessness of the last French war. We have its history. An inconvertible paper currency, its gambling fluctuations, its lending to government £60 for £100, its lending depreciated paper, and receiving gold of intrinsic value, its ruinous premiums for advances, and payments for credit, all of which resulted from gross financial ignorance in the first place, and the delusion that our wealth and resources reside in the *bonâ fide* command of gold, instead of the real truth that it resides in our fixed property, our stock, floating capital, labour, and intelligence, governed by honest conduct and obedience to the law, yielding annual incomes to the people. It would be possible, if the Governor and Company of the Bank of England would fairly recognise these principles of monetary science, to renew its charter, and give that body the authority here proposed to be committed to the Board of Finance, but for the reasons given at page 13 to 15 of this pamphlet, such a compromise of our plan should be earnestly deprecated. *The Bank should be the employé of a representative national authority of the highest possible construction, capable of a statesman-like, united with a general commercial, action.* Without losing to the public the services of that important and distinguished body, the Governor and Company of the Bank of England, the currency of our country would be placed on a proper footing by being under the direction of a board, in which *all the great interests of the country are represented*, and the *banking interest fully so.* We found out, during the last war, the value of British physical strength, and if we wish to maintain our position in the face of the rivalry of the great continental monarchies, to retain our



Indian empire, and fit ourselves to do the useful and good work which lies before us in the world, we must economise and increase that strength. To do that we must look to our labour, and not allow it to be stunted and wasted by making gold an object of idolatry. *That trade is legitimate and just which employs labour in accordance with the natural laws of health*, which allows the capital, that is the accumulation of the excess of production over consumption, to be fairly remunerated, and which does not allow an arbitrary, unreasonable, and restrictive law to do injustice to either. Our influence and energy have a noble field of action. We have a central position on the vast Asiatic continent, which, with its hundreds of millions, from the Mediterranean to the Pacific, seems to be waking from the lethargy, or the superstitions of ages; and we are called to use our *just influence*, not to *subjugate them for selfish, sordid, or narrow-minded purposes*, but to imbue them with our own Anglo-Saxon spirit and energy, to gradually cause the dark superstitions, the idolatrous cruelties, and the selfish exclusiveness, which have so long held dominion over them, to give way to a humane, free, and Christian development, and to draw them within the pale of that brotherhood of nations most consonant with the will of the Great Parent of us all.

This is a work worthy our antecedents, worthy our future exertions, in all prudence and moderation. But to do it we must complete our free-trade system, by making our currency free also to travel with it. The unyielding fetters of the Act of 1844, which oppress its vital energy and make its circulation convulsive, must be removed for an intelligent and judicious control, that will at once hold the rein upon over-speculation and covetousness; yet comprehend the just requirements of our people and our trade, and administer to them. It has been shown that we have *ample security* to give for far more paper issue than ever we should require. That security lies in our being permitted by the Divine Ruler to acquire the first empire in the world, and lead the vanguard of Christian and commercial progress; that we cannot decay if we are faithful

to our trust and use rightly His gifts; in our possession of a national capital of above £5,000,000,000 of exchangeable value; the fair prestige of our standing of 1,000 years; and our present intelligence, industry, and good conduct as a people. Also that we have a right in justice to be enabled to make use of this ample security, *to the fair employment of our labour*, and not to be bound by a law which treats us as if we were almost without security at all, places us on a semi-civilized level, and denies to us the just rewards and advantages of our superior order and civilization.

The Board of Finance which I propose would fully represent all the great interests of the country; and its twenty-one members would include our statesmen and mercantile men of high standing and character, and most capable experience and wisdom. Although natural causes of fluctuation and distress would be beyond its control, it would not add to these by artificial laws, but acting on natural principles it would preserve the country from the power and worship of mere gold that now threaten the body politic with corruption. Discarding the old Malthusian theories as not likely to be applicable for a century to come at any rate, such an authority would see clearly the injustice of any law of society, which would place before an Englishman the miserable alternative of being half-employed, and half-starved at home; or tearing asunder the kindly ties of home, kindred, and country, to make a questionable effort to better his circumstances abroad. It would see that the present aspect of our country and the world calls upon us to take care of our men; presents an adequate field of employment for our industry if left free to act; and that the law of 1844 which, because we have not a given amount of gold in hand, subjects our circulating medium to contractions, that reduce it below the amount indispensably necessary to the prosecution of our trade, and the employment of our industry, does not leave it free, but binds it with fetters not the less cruel, unjust, and oppressive, because they are fetters of gold. And seeing these facts, such an enlightened authority would unloose those bonds



by inverting the operation of the Act of 1844, so that the issue of notes would expand when gold becomes scarce, and contract when it is abundant; instead of as now contracting when gold is scarce, and expanding when it is abundant. It would preserve the people from the evils of over-speculation and cupidity on the one hand by not allowing the interest of money to descend below four per cent. It would preserve them from want of employment, poverty, usury, bankruptcy, pauperism, emigration, crime, by not allowing it to rise above five per cent. Such tremendous fluctuations as we now experience, when money is within a short period of time alternately at two per cent. and at seven-and-a-half per cent., whereby commerce is degraded to a game of chance, calculations rendered perilous and uncertain, and industry paralysed, would be unknown. The laws of production and distribution, of supply and demand, which are now so much diverted from their natural operation by monopoly and excessive competition, would resume their proper influence. And still more important, the old wholesome notion of our fathers, concerning the *iniquity of usury*, and the association of the rate of public interest of money at *five per cent. with fair dealing and equity*, would be restored. How injurious it is now to our morals when the great centre of commercial action—the Bank of England—sets the example (even though it be necessary to keep sufficient gold at home or recall it from abroad) of charging an usurious rate of interest for money. Thus *usury* being the practice at present of our highest authority, and most prominent example, it is now spreading through the land; generating the worst corruption, and sowing broadcast the seeds of selfishness, of cupidity, and of injustice, which if suffered to come to maturity it is to be feared will yield an abundant and poisonous harvest, in the nation being imbued with covetousness and money-worship, to a degree overbearing every noble principle, and every generous feeling of duty, of religion, and of rectitude.

To guard against such contingencies, to preserve our country from such decay of right principle, to give our industry a free

action, to preserve our power of government and self-defence, and our ability to be useful to others of mankind, benighted in error or less advanced and civilized than ourselves, would be the tendency and endeavour of such an authority as I have named, elevated above party selfishness, or class narrowness of view, and governing for the well being of our country at large; assured that what is the best for the community as a whole, in the spirit of unity, is ultimately the best for every great interest in it, that contributes to the enduring national welfare.

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